

LIBERTY HILL INDEPENDENT SCHOOL DISTRICT

ANNUAL FINANCIAL AND
COMPLIANCE REPORT

FOR THE YEAR ENDED
AUGUST 31, 2017



SINGLETON, CLARK
& COMPANY, PC CERTIFIED PUBLIC ACCOUNTANTS

LIBERTY HILL INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL AND COMPLIANCE REPORT
FOR THE YEAR ENDED AUGUST 31, 2017

TABLE OF CONTENTS

<u>Exhibit</u>		<u>Page</u>
	CERTIFICATE OF BOARD	1
	FINANCIAL SECTION	
	Independent Auditor's Report	5
	Management's Discussion and Analysis	11
	Basic Financial Statements:	
	Government-Wide Statements:	
A-1	Statement of Net Position	20
B-1	Statement of Activities	21
	Governmental Fund Financial Statements:	
C-1	Balance Sheet	22
C-1R	Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	23
C-2	Statement of Revenues, Expenditures, and Changes in Fund Balance	24
C-2R	Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	25
C-3	Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund	27
	Fiduciary Fund Financial Statements:	
E-1	Statement of Fiduciary Net Position	29
	Notes to the Financial Statements	31
	Required Supplementary Information:	
G-1	Schedule of the District's Proportionate Share of the Net Pension Liability – Teacher Retirement System	56
G-2	Schedule of District Contributions – Teacher Retirement System	57
	Notes to Required Supplementary Information	59
	Combining and Individual Fund Statements and Schedules:	
H-1	Combining Balance Sheet – Nonmajor Governmental Funds	62
H-2	Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds	64
J-1	Schedule of Delinquent Taxes	66
J-4	Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Child Nutrition Fund	68
J-5	Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual - Debt Service Fund	69
L-1	Schedule of Required Responses to Selected School First Indicators	71

LIBERTY HILL INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL AND COMPLIANCE REPORT
FOR THE YEAR ENDED AUGUST 31, 2017

TABLE OF CONTENTS
(continued)

FEDERAL AWARDS SECTION

	Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	75
	Independent Auditor's Report on Compliance and Internal Control for Each Major Program as Required by Uniform Guidance and Report on the Schedule of Expenditures of Federal Awards	79
K-1	Schedule of Expenditures of Federal Awards	83
	Notes to the Schedule of Expenditures of Federal Awards	85
	Schedule of Findings and Questioned Costs	87

CERTIFICATE OF BOARD

Liberty Hill Independent School District
Name of School District

Williamson
County

246-908
Co.-Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above named school district were reviewed and (check one) approved disapproved for the year ended August 31, 2017, at a meeting of the Board of Trustees of such school district on the 15 day of January, 2018.


Signature of Board Secretary


Signature of Board President

If the Board of Trustees disapproved of the auditor's report, the reason(s) for disapproving it is (are):
(attach list as necessary)

THIS PAGE LEFT BLANK INTENTIONALLY

FINANCIAL SECTION

THIS PAGE LEFT BLANK INTENTIONALLY



INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of
Liberty Hill Independent School District

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Liberty Hill Independent School District as of and for the year ended August 31, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

THIS PAGE LEFT BLANK INTENTIONALLY

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Liberty Hill Independent School District as of August 31, 2017, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis section which precedes the basic financial statements and the pension related schedules following the notes to the financial statements be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Liberty Hill Independent School District's basic financial statements. The combining statements of individual nonmajor funds and the Texas Education Agency required schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The combining statements of individual nonmajor funds, the Texas Education Agency required schedules, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining statements, the Texas Education Agency required schedules, and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

THIS PAGE LEFT BLANK INTENTIONALLY

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 1, 2017 on our consideration of Liberty Hill Independent School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Liberty Hill Independent School District's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Singleton, Clark & Company, PC". The signature is written in black ink on a light-colored background.

Singleton, Clark & Company, PC
Cedar Park, Texas

December 1, 2017

THIS PAGE LEFT BLANK INTENTIONALLY

LIBERTY HILL INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED AUGUST 31, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

In this section of the Annual Financial and Compliance Report, we, the managers of Liberty Hill Independent School District (the "District") discuss and analyze the financial performance of the District for the fiscal year ended August 31, 2017. Please read this information in conjunction with the District's basic financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The District's net position for governmental activities decreased by \$183,263 as a result of this year's current operations, to end at (\$6,970,262).
- Total Governmental Funds of the District (the General Fund plus all Special Revenue Funds, the Capital Projects Fund, and the Debt Service Fund) reported an overall fund balance decrease of \$29,042,715, to end at \$10,678,949.
- The General Fund of the District reported a fund balance increase of \$290,815 for the year, to end at \$4,776,329.

OVERVIEW OF THE FINANCIAL SECTION

The Financial Section is the most substantial part of this Annual Financial and Compliance Report. It consists of the independent auditor's report, management's discussion and analysis (this section), a set of basic financial statements with required note disclosures, and finally required supplementary information and other supporting statements and schedules as applicable.

Independent Auditor's Report

State law requires the District's financial statements to be audited by an independent certified public accountant each year. The primary purpose of the annual audit is for the auditor to express an opinion as to whether the financial statements of the District appear to be free from material misstatement. In addition, the auditor reports any deficiencies noted within the financial internal controls of the District and whether any noncompliance with rules, regulations, or grant agreements was observed.

Management's Discussion and Analysis

The Management's Discussion and Analysis (MD&A) section of the report is intended to introduce the financial statements and to provide discussion and analysis regarding the financial performance of the District during the year. The MD&A is written by management of the District and provides for a less formal presentation of the financial activities of the District than is found within the basic financial statements themselves.

Basic Financial Statements

The Basic Financial Statements consist of a series of financial statements and required note disclosures. These statements include government-wide financial statements which present the District in a consolidated and long-term manner using full-accrual accounting similar to that of a business enterprise, and fund financial statements which present a more detailed view of the District using a more short-term view and traditional modified-accrual governmental accounting. These financial statements are followed with detailed notes which provide narrative explanations and additional data for full disclosure of information.

LIBERTY HILL INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED AUGUST 31, 2017

Required Supplementary Information

The previously discussed Management's Discussion and Analysis section is considered to be required supplementary information, however, the governmental reporting framework requires that it be presented before the financial statements. When applicable, additional required supplementary information must follow the financial statements. Within this financial report, the District presents required schedules related to its participation in the Teacher Retirement System of Texas pension plan.

Combining and Individual Fund Statements and Schedules

The combining statements provide detailed information about the District's nonmajor funds. While the primary financial statements present the nonmajor funds in a consolidated manner, the combining statements list all of the nonmajor funds separately, each in its own column. In addition, this section also includes schedules required by the Texas Education Agency to report tax collection information and budget to actual information for the District's debt service and child nutrition functions.

Reporting the District as a Whole

The Statement of Net Position and the Statement of Activities

The analysis of the District's overall financial condition and operations begins with the government-wide financial statements which immediately follow this section. The government-wide financial statements include the Statement of Net Position and the Statement of Activities. The primary purpose of these financial statements is to show whether the District is better off or worse off as a result of the year's activities. The Statement of Net Position includes all the District's assets and liabilities at the end of the year while the Statement of Activities includes all the revenues and expenses generated by the District's operations during the year. These apply the accrual basis of accounting which is the basis used by private sector companies.

All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. The District's revenues are divided into those provided by outside parties who share the costs of some programs, such as tuition received from students from outside the district and grants provided by the U.S. Department of Education to assist children with disabilities or from disadvantaged backgrounds (program revenues), and revenues provided by the taxpayers or by the State of Texas in equalization funding processes (general revenues). All the District's assets are reported whether they serve the current year or future years. Liabilities are considered regardless of whether they must be paid in the current or future years.

The Statement of Net Position and the Statement of Activities report the District's net position and changes in net position. The District's net position (the difference between assets and liabilities) provides one measure of the District's financial health. Over time, increases or decreases in the District's net position are one indicator of whether its financial health is improving or deteriorating. To fully assess the overall health of the District, however, you should consider nonfinancial factors as well, such as changes in the District's average daily attendance or its property tax base and the condition of the District's facilities.

LIBERTY HILL INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED AUGUST 31, 2017

In the Statement of Net Position and the Statement of Activities, school districts divide up their financial activities as follows:

- Governmental activities – School districts report basic services here, including the instruction of students, counseling, co-curricular activities, child nutrition services, transportation, maintenance, community services, and general administration. Property taxes, state block grants based on student attendance and demographics, and other state and federal grants finance most of these activities.
- Business-type activities – School districts may charge a fee to "customers" to help it cover all or most of the cost of services it provides for child care programs or other activities that closely model a business venture.

Our school district reported governmental activities this year, however, we did not engage in business-type activities.

Reporting the District's Most Significant Funds

Fund Financial Statements

The fund financial statements follow the government-wide statements and provide detailed information about the most significant funds of the District, not the District as a whole. Laws and regulations require the District to establish separate funds, such as for grants received from the state and federal government, money received from bond issues for capital projects, or for money raised specifically for debt service purposes, in order to clearly display financial accountability for use of these funds.

School districts use two different kinds of funds for operations, governmental funds and proprietary funds, which use different accounting approaches.

- A school district will use *governmental funds* to account for basic services. These use modified accrual accounting (a method that measures the receipt and disbursement of cash and all other financial assets that can be readily converted to cash) and report balances that are available for future spending. The governmental fund statements provide a detailed short-term view of the District's general operations and the basic services it provides. We describe the differences between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in reconciliation schedules following each of the fund financial statements.
- A school district will use *proprietary funds* to account for the activities for which it charges users (whether outside customers or other units of the district). Proprietary funds use the same accounting methods employed in the Statement of Net Position and the Statement of Activities. In fact, when a district utilizes enterprise funds, (one category of proprietary funds) these are the business-type activities reported in the government-wide statements but they contain more detail and additional information, such as cash flows. Internal service funds (the other category of proprietary funds) report activities that provide supplies and services for a district's other programs and activities, such as a district's self-insurance programs.

Our District reported several governmental funds this year, however, we did not utilize proprietary funds.

LIBERTY HILL INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED AUGUST 31, 2017

The District as Trustee

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for money raised by student activities and alumnae scholarship programs. All of the District's fiduciary activities are reported in separate Statements of Fiduciary Net Position and Changes in Fiduciary Net Position on pages that follow the governmental fund and proprietary fund financial statements. We exclude these resources from the District's other financial statements because the District cannot use these assets to finance its operations. The District is however responsible for applying sound financial internal controls over these funds and for ensuring that these resources are used for their intended purposes.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The following analysis focuses on the net position (Table I) and changes in net position (Table II) of the District's governmental activities.

Net position of the District's governmental activities decreased from (\$6,786,999) to (\$6,790,262). Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – was (\$4,149,089) at August 31, 2017. The decrease in governmental net position was primarily due to factors such as depreciation on the District's facilities and interest accruing on long-term debt.

Table I
LIBERTY HILL INDEPENDENT SCHOOL DISTRICT
NET POSITION

	Governmental Activities 2017	Governmental Activities 2016	Change
Current & other assets	\$ 15,421,960	\$ 42,522,408	\$(27,100,448)
Capital assets	145,688,332	118,639,838	27,048,494
Deferred outflows	3,919,672	3,659,548	260,124
Total assets and deferred outflows	<u>165,029,964</u>	<u>164,821,794</u>	<u>208,170</u>
Current liabilities	5,095,948	3,162,004	1,933,944
Long-term liabilities	165,938,800	167,610,599	(1,671,799)
Deferred inflows	965,478	836,190	129,288
Total liabilities and deferred inflows	<u>172,000,226</u>	<u>171,608,793</u>	<u>391,433</u>
Net Position:			
Net investment in capital assets	(6,372,170)	(6,359,777)	(12,393)
Restricted	3,550,997	3,274,513	276,484
Unrestricted	(4,149,089)	(3,701,735)	(447,354)
Total net position	<u>\$ (6,970,262)</u>	<u>\$ (6,786,999)</u>	<u>\$ (183,263)</u>

LIBERTY HILL INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED AUGUST 31, 2017

Table II
LIBERTY HILL INDEPENDENT SCHOOL DISTRICT
CHANGES IN NET POSITION

	Governmental Activities 2017	Governmental Activities 2016	Change
Revenues:			
Program Revenues:			
Charges for services	\$ 1,053,192	\$ 1,498,847	\$ (445,655)
Operating grants & contributions	3,079,232	3,539,208	(459,976)
General Revenues:			
Maintenance & operations taxes	17,740,792	14,910,416	2,830,376
Debt service taxes	8,494,942	7,150,411	1,344,531
State aid - formula grants	10,572,842	11,460,753	(887,911)
Grants & contributions not restricted	461,236	450,335	10,901
Investment earnings	146,151	56,710	89,441
Miscellaneous	540,003	82,060	457,943
Total Revenue	<u>42,088,390</u>	<u>39,148,740</u>	<u>2,939,650</u>
Expenses:			
Instruction	19,856,987	18,951,003	905,984
Instr. resources & media services	545,630	552,859	(7,229)
Curriculum and staff development	1,059,277	983,014	76,263
Instructional leadership	334,619	354,530	(19,911)
School leadership	1,846,916	1,611,826	235,090
Guidance/counseling services	1,211,724	1,156,705	55,019
Health services	334,473	329,913	4,560
Student transportation	1,219,824	1,099,665	120,159
Food services	1,670,594	1,737,844	(67,250)
Cocurricular/extracurricular activities	2,009,745	2,040,481	(30,736)
General administration	1,375,593	1,208,014	167,579
Plant maintenance and operations	3,156,739	3,140,643	16,096
Security and monitoring services	38,971	18,651	20,320
Data processing services	755,965	687,509	68,456
Community services	-	7,408	(7,408)
Debt service	6,620,694	4,346,276	2,274,418
Payments to JJAEP program	48,497	53,972	(5,475)
Other intergovernmental charges	185,405	170,562	14,843
Total Expenses	<u>42,271,653</u>	<u>38,450,875</u>	<u>3,820,778</u>
Change in net position	<u>(183,263)</u>	<u>697,865</u>	<u>(881,128)</u>
Net position at 9/1/16 and 9/1/15	<u>(6,786,999)</u>	<u>(7,484,864)</u>	<u>697,865</u>
Net position at 8/31/17 and 8/31/16	<u>\$ (6,970,262)</u>	<u>\$ (6,786,999)</u>	<u>\$ (183,263)</u>

LIBERTY HILL INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED AUGUST 31, 2017

THE DISTRICT'S FUNDS

As the District completed this annual period, the General Fund reported a fund balance of \$4,776,329, which is \$290,815 more than last year's total of \$4,485,514. The increase in fund balance is mainly attributable to increasing student enrollment, and therefore, increased average daily attendance revenues and lower than budgeted expenditures.

The District's Debt Service Fund reported a fund balance of \$3,452,353 which is \$294,396 more than last year's total of \$3,157,957. The Debt Service Fund balance was more at August 31, 2017, as compared to the prior year end, due to interest payments on debt service being less than budgeted. The purpose of the Debt Service Fund is to provide for the payment of bond principal and interest payments as it becomes due.

The District's Capital Projects Fund reported a fund balance of \$2,203,103 which is \$29,703,922 less than last year's total of \$31,907,025. The Capital Projects Fund balance was less at August 31, 2017, as compared to the prior year end, due to completion of construction of a new elementary school during the year and completion of other capital improvement projects.

The District's other governmental funds reported combined ending fund balances of \$247,164. This combined balance is \$75,996 more than the previous year. The primary reason for this change in the combined fund balance was due to fund balance increase in the Child Nutrition and Campus Activity funds during the year.

Over the course of the year, the Board of Trustees generally revises the District's budget based on financial updates provided by management of the District. These amendments involve moving funds from programs that did not need all the resources originally appropriated to them to programs with resource needs, or to react to originally unforeseen circumstances, such as unanticipated new revenues or unavoidable new costs. None of the budget amendments made during the year were considered significant.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As of August 31, 2017, the District had \$145,688,332 (net of accumulated depreciation) invested in a broad range of capital assets, including facilities and equipment for instruction, transportation, athletics, administration, and maintenance. A summary of the ending balances of capital assets by major category for both 2017 and 2016 is as follows:

	Governmental Activities 2017	Governmental Activities 2016	Change
Land	\$ 2,954,331	\$ 2,954,331	\$ -
Construction in Progress	-	2,604,312	(2,604,312)
Buildings	159,874,511	129,067,789	30,806,722
Furniture and Equipment	11,273,865	9,247,481	2,026,384
Total	<u>174,102,707</u>	<u>143,873,913</u>	<u>30,228,794</u>
Less Accumulated Depreciation	<u>(28,414,375)</u>	<u>(25,234,075)</u>	<u>(3,180,300)</u>
Capital assets, net of depreciation	<u>\$ 145,688,332</u>	<u>\$ 118,639,838</u>	<u>\$ 27,048,494</u>

LIBERTY HILL INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED AUGUST 31, 2017

Debt

At year-end, the District had \$165,938,800 in bonds and other long-term debt outstanding versus \$167,610,599 last year. The decrease is primarily attributable to the District making scheduled payments on its long-term debt during the year.

A summary of the ending balances of long-term debt by type for both 2017 and 2016 is as follows:

	Governmental Activities 2017	Governmental Activities 2016	Change
General Obligation Bonds	\$ 157,243,687	\$ 159,112,389	\$ (1,868,702)
Notes Payable	1,561,115	1,731,965	(170,850)
Capital Leases Payable	1,305,944	1,618,242	(312,298)
Net Pension Liability	5,828,054	5,148,003	680,051
Total	<u>\$ 165,938,800</u>	<u>\$ 167,610,599</u>	<u>\$ (1,671,799)</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The District's elected and appointed officials considered many factors when setting the fiscal year 2017-2018 budget and tax rates. Those factors include property values, changes in enrollment, the economy, projections of future budget years, and legislative mandates. The District has adopted a General Fund budget of \$31.9 million for the 2017-2018 fiscal year. This reflects an approximate increase of \$1,176,000 in budgeted expenditures from fiscal year 2016-2017 to fiscal year 2017-2018.

For the 2017-2018 budget year, the District has held constant its maintenance and operations tax rate at \$1.04 per hundred of taxable value. The District has the capability to call a tax ratification election which could authorize up to \$1.17 cents for maintenance and operations. The District has no current plans to call a tax ratification election. The District adopted a debt service tax rate of \$.50 for the 2017-2018 budget year in order to fund required debt payments in the coming year. The combined tax rate of the District for the 2017-2018 budget year is \$1.54 per hundred of taxable value.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's Business Office, at Liberty Hill Independent School District, 301 Forrest Street, Liberty Hill, Texas 78642, or by calling (512) 260-5580.

THIS PAGE LEFT BLANK INTENTIONALLY

BASIC FINANCIAL STATEMENTS

LIBERTY HILL INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
AUGUST 31, 2017

Data Control Codes	Primary Government I Governmental Activities
ASSETS	
1110 Cash and Cash Equivalents	\$ 7,524,408
1120 Current Investments	6,005,905
1225 Property Taxes Receivable (net)	182,129
1240 Due from Other Governments	1,690,252
1290 Other Receivables, net	10,309
1410 Deferred Expenditures or Expenses	8,957
Capital Assets:	
1510 Land	2,954,331
1520 Buildings and Improvements, Net	138,457,280
1530 Furniture and Equipment, Net	4,276,721
1000 Total Assets	<u>161,110,292</u>
DEFERRED OUTFLOWS OF RESOURCES	
1700 Deferred Outflows-Bond Refundings	114,271
1705 Deferred Outflows-Pension	3,805,401
Total Deferred Outflows of Resources	<u>3,919,672</u>
LIABILITIES	
2110 Accounts Payable	2,697,480
2140 Interest Payable	535,066
2150 Payroll Deductions & Withholdings	7,061
2160 Accrued Wages Payable	1,677,007
2177 Due to Fiduciary Funds	100
2180 Due to Other Governments	12,570
2200 Accrued Expenses	165,471
2300 Unearned Revenue	1,193
Noncurrent Liabilities:	
2501 Bonds, Loans & Other Payable-Due Within One Year	3,751,806
2502 Bonds Payable - Due in More than One Year	146,789,128
2516 Unamortized Premium (Discount) on Bonds	7,409,689
2520 Loans Payable - Due in More than One Year	2,160,123
2540 Net Pension Liability	5,828,054
2000 Total Liabilities	<u>171,034,748</u>
DEFERRED INFLOWS OF RESOURCES	
2605 Deferred Inflows-Pension	965,478
Total Deferred Inflows of Resources	<u>965,478</u>
NET POSITION	
3200 Net Investment in Capital Assets	(6,372,170)
Restricted for:	
3820 Federal & State Programs	43,113
3850 Debt Service	3,507,884
3900 Unrestricted	(4,149,089)
3000 Total Net Position	<u>\$ (6,970,262)</u>

The notes to the financial statements are an integral part of this statement.

LIBERTY HILL INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2017

Data Control Codes	1 Expenses	Program Revenues		Net (Expense) Rev. & Changes in Net Position
		3 Charges for Services	4 Operating Grants and Contributions	6 Primary Gov. Governmental Activities
Primary Government:				
GOVERNMENTAL ACTIVITIES:				
11 Instruction	\$ 19,856,987	\$ -	\$ 1,538,870	\$ (18,318,117)
12 Instructional Resources & Media Services	545,630	-	17,523	(528,107)
13 Curriculum & Staff Development	1,059,277	-	54,468	(1,004,809)
21 Instructional Leadership	334,619	-	107,844	(226,775)
23 School Leadership	1,846,916	-	69,650	(1,777,266)
31 Guidance/Counseling/Evaluation Services	1,211,724	-	432,042	(779,682)
33 Health Services	334,473	-	15,131	(319,342)
34 Student Transportation	1,219,824	-	53,115	(1,166,709)
35 Food Services	1,670,594	875,425	-	(795,169)
36 Extracurricular Activities	2,009,745	148,366	446,600	(1,414,779)
41 General Administration	1,375,593	29,401	45,903	(1,300,289)
51 Plant Maintenance and Operations	3,156,739	-	108,254	(3,048,485)
52 Security and Monitoring Services	38,971	-	21,816	(17,155)
53 Data Processing Services	755,965	-	-	(755,965)
72 Interest on Long-Term Debt	6,616,600	-	168,016	(6,448,584)
73 Bond Issuance Cost & Fees	4,094	-	-	(4,094)
95 Payments to Juvenile Justice Alt. Ed. Prog.	48,497	-	-	(48,497)
99 Other Intergovernmental Charges	185,405	-	-	(185,405)
TG Total Governmental Activities:	<u>42,271,653</u>	<u>1,053,192</u>	<u>3,079,232</u>	<u>(38,139,229)</u>
TP TOTAL PRIMARY GOVERNMENT:	<u>\$ 42,271,653</u>	<u>\$ 1,053,192</u>	<u>\$ 3,079,232</u>	<u>(38,139,229)</u>
General Revenues:				
Taxes:				
MT Property Taxes, Levied for General Purposes				17,740,792
DT Property Taxes, Levied for Debt Service				8,494,942
SF State Aid - Formula Grants				10,572,842
GC Grants and Contributions, not Restricted				461,236
IE Investment Earnings				146,151
MI Miscellaneous Local and Intermediate Revenue				540,003
Total General Revenues				<u>37,955,966</u>
CN Change in Net Position				(183,263)
NB Net Position -- Beginning				(6,786,999)
NE Net Position -- Ending				<u>\$ (6,970,262)</u>

The notes to the financial statements are an integral part of this statement.

LIBERTY HILL INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
AUGUST 31, 2017

Data	10	50	60	98	
Control	General	Debt	Capital	Other	Total
Codes	Fund	Fund	Fund	Funds	Governmental Funds
ASSETS					
1110 Cash and Cash Equivalents	\$ 1,978,137	\$ 454,591	\$ 4,798,557	\$ 293,123	\$ 7,524,408
1120 Investments - Current	3,002,953	3,002,952	-	-	6,005,905
1220 Property Taxes - Delinquent	194,766	85,432	-	-	280,198
1230 Allowance for Uncollectible Taxes (Credit)	(68,168)	(29,901)	-	-	(98,069)
1240 Due from Other Governments	1,483,362	711	-	206,179	1,690,252
1260 Due from Other Funds	627,782	-	3,735	-	631,517
1290 Other Receivables	8,703	-	-	1,606	10,309
1410 Deferred Expenditures	8,957	-	-	-	8,957
1000A Total Assets	<u>\$ 7,236,492</u>	<u>\$ 3,513,785</u>	<u>\$ 4,802,292</u>	<u>\$ 500,908</u>	<u>\$ 16,053,477</u>
LIABILITIES					
2110 Accounts Payable	\$ 49,775	\$ -	\$ 2,599,189	\$ 48,516	\$ 2,697,480
2150 Payroll Ded. and Withholdings Payable	7,061	-	-	-	7,061
2160 Accrued Wages Payable	1,623,968	-	-	53,039	1,677,007
2170 Due to Other Funds	487,190	5,901	-	138,426	631,517
2177 Due to Fiduciary Funds	100	-	-	-	100
2180 Due to Other Governments	-	-	-	12,570	12,570
2200 Accrued Expenditures	165,471	-	-	-	165,471
2300 Unearned Revenues	-	-	-	1,193	1,193
2000 Total Liabilities	<u>2,333,565</u>	<u>5,901</u>	<u>2,599,189</u>	<u>253,744</u>	<u>5,192,399</u>
DEFERRED INFLOWS OF RESOURCES					
2600 Deferred Inflows-Unavailable Revenues	126,598	55,531	-	-	182,129
Total Deferred Inflows of Resources	<u>126,598</u>	<u>55,531</u>	<u>-</u>	<u>-</u>	<u>182,129</u>
FUND BALANCES					
Restricted for:					
3450 Federal or State Funds Restricted	-	-	-	43,113	43,113
3470 Capital Acq. and Contractual Oblig.	-	-	2,203,103	-	2,203,103
3480 Retirement of Long-Term Debt	-	3,452,353	-	-	3,452,353
Committed for:					
3545 Campus Activities	-	-	-	204,051	204,051
Assigned for:					
3590 Specific Purposes	302,631	-	-	-	302,631
3600 Unassigned Fund Balance	4,473,698	-	-	-	4,473,698
3000 Total Fund Balances	<u>4,776,329</u>	<u>3,452,353</u>	<u>2,203,103</u>	<u>247,164</u>	<u>10,678,949</u>
4000 Total Liab., Def. Inflows, and Fund Balances	<u>\$ 7,236,492</u>	<u>\$ 3,513,785</u>	<u>\$ 4,802,292</u>	<u>\$ 500,908</u>	<u>\$ 16,053,477</u>

The notes to the financial statements are an integral part of this statement.

LIBERTY HILL INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
AUGUST 31, 2017

1

	Total Fund Balances - Governmental Funds	\$	10,678,949
1	Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds.		
	Governmental capital assets	\$	174,102,707
	Less accumulated depreciation	<u>(28,414,375)</u>	145,688,332
2	Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		
	Bonds payable, including unamortized premiums	(157,243,687)	
	Notes and capital leases payable	(2,867,059)	
	Net pension liability	<u>(5,828,054)</u>	(165,938,800)
3	Accrued interest on long-term debt related to governmental fund activities is not due and payable in the current period and, therefore, not reported in the governmental funds.		(535,066)
4	Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.		
	Deferred outflows of resources related to pensions	3,805,401	
	Deferred inflows of resources related to pensions	<u>(965,478)</u>	2,839,923
5	Property taxes are recognized as revenue in the governmental funds when collected, but recognized on the Statement of Activities in the year levied. Therefore, property taxes receivable, net of allowance for uncollectible accounts, is added to the Statement of Net Position for governmental activities.		182,129
6	Losses incurred on the early refunding of long-term debt are recorded as deferred outflows on the Statement of Net Position but not recorded in the governmental funds.		114,271
19	Net Position of Governmental Activities	<u>\$</u>	<u>(6,970,262)</u>

The notes to the financial statements are an integral part of this statement.

LIBERTY HILL INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2017

Data	10	50	60	98	
Control		Debt	Capital	Total	
Codes	General	Service	Projects	Other	Governmental
	Fund	Fund	Fund	Funds	Funds
REVENUES					
5700 Local and Intermediate Sources	\$ 18,103,589	\$ 8,528,471	\$ 71,537	\$ 1,287,668	\$ 27,991,265
5800 State Program Revenues	12,016,042	168,016	-	405,989	12,590,047
5900 Federal Program Revenues	390,630	-	-	1,425,684	1,816,314
5020 Total Revenues	<u>30,510,261</u>	<u>8,696,487</u>	<u>71,537</u>	<u>3,119,341</u>	<u>42,397,626</u>
EXPENDITURES					
0011 Instruction	17,100,810	-	-	737,240	17,838,050
0012 Instructional Resources & Media Services	492,223	-	-	-	492,223
0013 Curriculum & Instructional Staff Development	937,341	-	-	16,261	953,602
0021 Instructional Leadership	211,090	-	-	82,688	293,778
0023 School Leadership	1,657,480	-	-	-	1,657,480
0031 Guidance, Counseling & Evaluation Services	738,184	-	-	337,908	1,076,092
0033 Health Services	301,344	-	-	-	301,344
0034 Student (Pupil) Transportation	1,106,809	-	-	-	1,106,809
0035 Food Services	-	-	-	1,494,644	1,494,644
0036 Cocurricular/Extracurricular Activities	1,457,127	-	-	346,133	1,803,260
0041 General Administration	1,239,007	-	-	-	1,239,007
0051 Plant Maintenance and Operations	2,832,400	-	-	28,471	2,860,871
0052 Security and Monitoring Services	40,631	-	-	-	40,631
0053 Data Processing Services	679,039	-	-	-	679,039
0071 Debt Service - Principal	975,935	1,905,000	-	-	2,880,935
0072 Debt Service - Interest	96,522	6,492,997	-	-	6,589,519
0073 Debt Service - Bond Issuance Costs	-	4,094	-	-	4,094
0081 Facilities Acquisition and Construction	634,594	-	29,775,459	-	30,410,053
0095 Payments to Juvenile Justice Alt. Ed. Prog.	43,893	-	-	-	43,893
0099 Other Intergovernmental Charges	167,804	-	-	-	167,804
6030 Total Expenditures	<u>30,712,233</u>	<u>8,402,091</u>	<u>29,775,459</u>	<u>3,043,345</u>	<u>71,933,128</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(201,972)</u>	<u>294,396</u>	<u>(29,703,922)</u>	<u>75,996</u>	<u>(29,535,502)</u>
OTHER FINANCING SOURCES (USES)					
7913 Capital Leases	492,787	-	-	-	492,787
7080 Total Other Financing Sources (Uses)	<u>492,787</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>492,787</u>
1200 Net Change in Fund Balance	290,815	294,396	(29,703,922)	75,996	(29,042,715)
0100 Fund Balance - Beginning	4,485,514	3,157,957	31,907,025	171,168	39,721,664
3000 Fund Balance - Ending	<u>\$ 4,776,329</u>	<u>\$ 3,452,353</u>	<u>\$ 2,203,103</u>	<u>\$ 247,164</u>	<u>\$ 10,678,949</u>

The notes to the financial statements are an integral part of this statement.

LIBERTY HILL INDEPENDENT SCHOOL DISTRICT
 RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
 EXPENDITURES, AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED AUGUST 31, 2017

	Total Net Change in Fund Balances – Governmental Funds	\$ (29,042,715)
1	Governmental funds report the portion of capital outlay for capitalized assets as expenditures. However, in the Statement of Activities, the costs of those assets are allocated over their estimated useful lives as depreciation expense.	
	Expenditures for capitalized assets	\$ 30,410,053
	Less current year depreciation	<u>(3,361,559)</u>
		27,048,494
2	Repayment of principal on bonds, notes, and capital leases is an expenditure in the governmental funds, but this expenditure is removed from the Statement of Activities and the repayments instead reduce long-term liabilities on the Statement of Net Position.	2,880,935
3	Issuance of long-term debt increases current financial resources to governmental funds, but this increase is not shown on the Statement of Activities and instead increases long-term liabilities on the Statement of Net Position.	(492,787)
4	Accumulated accretion on bonds issued by governmental activities is recognized only when paid in the governmental funds, but is treated as interest expense on the Statement of Activities as it accretes.	(1,072,368)
5	Since long-term debt is not recorded in governmental funds, amortization of related issuance premiums and discounts is also not recorded.	1,036,070
6	The change in accrued interest due on long-term debt issued for governmental activities does not affect current financial resources and therefore is not reported in the governmental funds.	24,508
7	Property taxes are recognized as revenue in the governmental funds when collected but recognized on the Statement of Activities in the year levied. Therefore the uncollected amount of the current year levy is added to current year property tax revenue on the Statement of Activities.	(16,185)
8	Governmental funds report pension contributions as expenditures. However, pension contributions are reported as deferred outflows of resources on the Statement of Net Position if made after the net pension liability measurement date. In addition, the change in the net pension liability, adjusted for changes in deferred pension items, is reported as pension expense in the Statement of Activities.	(533,924)
9	Losses incurred on the early refunding of long-term debt are recorded as deferred outflows on the Statement of Net Position and amortized to expense incrementally each year on the Statement of Activities.	(15,291)
	19 Change in Net Position of Governmental Activities	<u><u>\$ (183,263)</u></u>

The notes to the financial statements are an integral part of this statement.

THIS PAGE LEFT BLANK INTENTIONALLY

LIBERTY HILL INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL – GENERAL FUND
FOR THE YEAR ENDED AUGUST 31, 2017

Data Control Codes	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final	Amounts (GAAP BASIS)	
REVENUES				
5700 Local & Intermediate Sources	\$ 18,180,009	\$ 18,245,619	\$ 18,103,589	\$ (142,030)
5800 State Program Revenues	11,518,403	11,553,403	12,016,042	462,639
5900 Federal Program Revenues	235,000	430,000	390,630	(39,370)
5020 Total Revenues	29,933,412	30,229,022	30,510,261	281,239
EXPENDITURES				
0011 Instruction	16,902,907	17,167,891	17,100,810	67,081
0012 Instructional Resources & Media Services	453,343	498,343	492,223	6,120
0013 Curriculum and Staff Development	868,512	947,428	937,341	10,087
0021 Instructional Leadership	231,569	216,569	211,090	5,479
0023 School Leadership	1,532,001	1,662,001	1,657,480	4,521
0031 Guidance/Counseling/Evaluation Services	835,156	740,156	738,184	1,972
0033 Health Services	311,083	306,083	301,344	4,739
0034 Student Transportation	1,102,711	1,112,711	1,106,809	5,902
0036 Extracurricular Activities	1,333,395	1,468,085	1,457,127	10,958
0041 General Administration	1,262,576	1,249,576	1,239,007	10,569
0051 Facilities Maintenance & Operations	3,132,420	2,843,139	2,832,400	10,739
0052 Security and Monitoring Services	16,700	41,835	40,631	1,204
0053 Data Processing Services	686,549	686,549	679,039	7,510
Debt Service:				
0071 Principal on Long Term Debt	963,097	984,115	975,935	8,180
0072 Interest on Long Term Debt	-	96,522	96,522	-
Capital Outlay:				
0081 Facilities Acquisition & Construction	-	638,981	634,594	4,387
Intergovernmental:				
0095 Payments to Juvenile Justice Alt. Ed. Prog.	43,893	43,893	43,893	-
0099 Other Intergovernmental Charges	160,000	167,805	167,804	1
6030 Total Expenditures	29,835,912	30,871,682	30,712,233	159,449
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	97,500	(642,660)	(201,972)	440,688
OTHER FINANCING SOURCES (USES)				
7912 Sale of Property	-	307,213	-	(307,213)
7913 Capital Leases	-	492,787	492,787	-
7080 Total Other Financing Sources (Uses)	-	800,000	492,787	(307,213)
1200 Net Change in Fund Balances	97,500	157,340	290,815	133,475
0100 Fund Balance-September 1 (Beginning)	4,485,514	4,485,514	4,485,514	-
3000 Fund Balance-August 31 (Ending)	\$ 4,583,014	\$ 4,642,854	\$ 4,776,329	\$ 133,475

The notes to the financial statements are an integral part of this statement.

THIS PAGE LEFT BLANK INTENTIONALLY

LIBERTY HILL INDEPENDENT SCHOOL DISTRICT
 STATEMENT OF NET POSITION
 FIDUCIARY FUNDS
 AUGUST 31, 2017

Data Control Codes	Private Purpose Trust	
	Fund	Agency Funds
ASSETS		
1110 Cash and Cash Equivalents	\$ 26,000	\$ 58,155
1260 Due from Other Funds	100	-
1000 Total Assets	<u>26,100</u>	<u>58,155</u>
LIABILITIES		
Current Liabilities:		
2190 Due to Student Groups	26,100	58,155
2000 Total Liabilities	<u>\$ 26,100</u>	<u>\$ 58,155</u>

The notes to the financial statements are an integral part of this statement.

THIS PAGE LEFT BLANK INTENTIONALLY

LIBERTY HILL INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Financial Reporting Entity

This report includes those activities, organizations and functions related to Liberty Hill Independent School District (the “District”), which are controlled by or dependent upon the District’s governing body, the Board of Trustees (the “Board”). The Board, a seven member group, is the level of government having governance responsibilities over all activities related to public elementary and secondary school education within the jurisdiction of the District. Since the District receives funding from local, state, and federal government sources, it must comply with the requirements of the entities providing those funds. However, the District is not included in any other governmental “reporting entity” as defined by Statement No. 14 of the Governmental Accounting Standards Board (GASB), since Board members are elected by the public and have decision making authority. Furthermore, there are no legally separate organizations, known as “component units”, included within the reporting entity.

The accounting policies of the District comply with the rules prescribed by the Texas Education Agency (TEA) in its Financial Accountability System Resource Guide (FASRG). These accounting policies conform to generally accepted accounting principles applicable to state and local governments.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e. the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the District. The effect of interfund activity has been removed from these statements. Governmental activities, which are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely on fees and charges for support. Currently however, the District has no business-type activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Agency funds have no measurement focus. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided and 2) operating grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

LIBERTY HILL INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2017

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

Major revenue sources considered susceptible to accrual include state and federal program revenues and property taxes. No accrual for property taxes collected within sixty days of year end has been made as such amounts are deemed immaterial; delinquent property taxes at year end are reported as deferred inflows of resources within the fund governmental fund financial statements.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Major Funds and Fund Types

The District reports the following major governmental funds:

The General Fund includes financial resources that are not required to be reported separately in another fund. It is a budgeted fund, and any unrestricted fund balances are considered to be resources available for current operations.

The Debt Service Fund includes debt service taxes and other revenues collected to retire bond principal and to pay interest due. It is a budgeted fund.

The Capital Projects Fund is used to account for the construction, improvement and renovation of school buildings in the District along with the acquisition of land and equipment. This fund is budgeted on a project basis rather than annually.

Additionally, the District reports the following fund types:

Special Revenue Funds are governmental funds which include resources restricted, committed, or assigned for specific purposes by a grantor or the Board. Federally financed programs where unused balances are returned to the grantor at the close of specified project periods are accounted for in these funds.

Private Purpose Trust Funds are fiduciary funds used to account for donations for which the donors have stipulated that both the principal and the income may be used for purposes that benefit parties outside the District. The District utilizes this fund type to account for money collected and held for the purpose of awarding scholarships to selected students.

Agency Funds are fiduciary funds used to account for resources held for others in a custodial capacity. The District utilizes this fund type to account for funds held on behalf of student clubs and organizations.

LIBERTY HILL INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2017

Budgetary Information

Budgets are prepared annually for the General Fund, the Debt Service Fund, and the Child Nutrition Fund on the modified accrual basis, which is consistent with generally accepted accounting principles. A formal budget is prepared by the end of August and is adopted by the Board at a public meeting after public notice of the meeting has been given no earlier than the 30th day or later than the 10th day before the public hearing. The legal level of control for budgeted expenditures is the function level within the budgeted funds. Amendments to the budget are required prior to expending amounts greater than the budgeted amounts at the function level. Budgets are controlled at the departmental or campus level, the same level at which responsibility for operations is assigned. The budget was monitored by the administration throughout the year and amendments were brought to the Board as needed.

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Fund Balance

Investments - The District's investment policies and types of investments are governed by Section 2256 of the Texas Government Code ("Public Funds Investment Act"). The types of investments allowed under the Public Funds Investment Act are detailed in Note 2 - Deposits and Investments. The District's management believes that it complied with the requirements of the Public Funds Investment Act and the District's investment policies. The District accrues interest on temporary investments based on the terms and effective interest rates of the specific investments. Temporary investments throughout the year consisted of investments in external investment pools, which are recognized at amortized cost, and money market accounts.

Inventories - Inventories are generally not recorded in the General Fund or Child Nutrition Fund due to amounts of expendable supplies held or purchased food not being deemed material. When inventories are recorded, they are charged to expenditures when consumed. Amounts recorded are offset by a fund balance classification titled "nonspendable" which indicates that the inventory does not represent "available expendable resources."

Capital Assets - Capital assets, which include land, buildings and improvements, construction in progress, furniture and equipment, and vehicles are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of at least \$5,000 and a useful life of greater than one year. Such assets are recorded at historical cost, if purchased, or estimated fair value at the date of donation, if donated. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend assets lives are not capitalized. Capital assets (other than land and construction in progress) are depreciated using the straight line method over the following estimated useful lives: buildings and improvements - fifteen to thirty years, furniture and equipment - three to twenty years, and vehicles - five to ten years.

Prepaid Items - Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. Prepaid items are charged to expenditures when consumed. When prepaid items are recorded, they are charged to expenditures when the value represented by the prepaid item has been used. Amounts recorded are offset by a fund balance classification titled "nonspendable" which indicates that the prepaid item amount does not represent "available expendable resources."

LIBERTY HILL INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2017

Ad Valorem Property Taxes - Delinquent taxes, when received, are prorated between maintenance and debt service based on rates adopted for the year of the levy. Allowances for uncollectibles within the General and Debt Service Funds are based upon historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

Accumulated Sick Leave Liability - The State of Texas (the "State") has created a minimum sick leave program consisting of five days of sick leave per year with no limit on accumulation and transferability among districts for every person regularly employed in Texas public schools. Each district's local Board is required to establish a sick leave plan. Local school districts may provide additional sick leave beyond the state minimum.

Pensions - The fiduciary net position of the Teacher Retirement System of Texas ("TRS") has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, and information about assets, liabilities and additions to/deductions from TRS's fiduciary net position. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

Deferred Outflows and Deferred Inflows of Resources - The District complies with GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, which provides guidance for reporting the financial statement elements of deferred outflows of resources, which represent a consumption of the District's net position that is applicable to a future reporting period, and deferred inflows of resources, which represent the District's acquisition of net position applicable to a future reporting period.

The District complies with GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

Fund Balance/Deficit - The District complies with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds.

Statement of Cash Flows - For purposes of the statement of cash flows when Proprietary Funds are used, cash and cash equivalents include demand deposits.

LIBERTY HILL INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2017

Fair Value Measurements - The District adopted GASB Statement No. 72, *Fair Value Measurement and Application*, which defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction. Fair value accounting requires characterization of the inputs used to measure fair value into a three-level fair value hierarchy as follows:

- Level 1 inputs are based on unadjusted quoted market prices for identical assets or liabilities in an active market the entity has the ability to access
- Level 2 inputs are observable inputs that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from sources independent from the entity
- Level 3 are unobservable inputs that reflect the entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available

There are three general valuation techniques that may be used to measure fair value:

- Market approach - uses prices generated by market transactions involving identical or comparable assets or liabilities
- Cost approach - uses the amount that currently would be required to replace the service capacity of an asset (replacement cost)
- Income approach - uses valuation techniques to convert future amounts to present amounts based on current market expectations

Data Control Codes

The Data Control Codes shown on the financial statements refer to the account code structure prescribed by the FASRG. TEA requires school districts to display these codes in their financial statements to ensure accuracy in building a state-wide data base for policy development and funding plans.

LIBERTY HILL INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2017

2. DEPOSITS AND INVESTMENTS

The Public Funds Investment Act authorizes the District to invest in funds under a written investment policy, which is approved annually by the Board. The primary objectives of the District's investment strategy for operating and agency funds, in order of priority, are safety, investment liquidity, and maturity sufficient to meet anticipated cash flow requirements. The primary objective of the District's investment strategy for Debt Service and Capital Projects Funds is sufficient investment liquidity to meet related obligations.

The District is authorized to invest in the following investment instruments provided that they meet the guidelines established in the investment policy:

- Obligations of, or guaranteed by, governmental entities
- Certificates of deposit and share certificates
- Fully collateralized repurchase agreements
- Securities lending program
- Banker's acceptances
- Commercial paper
- No-load money market mutual funds and no-load mutual funds
- Guaranteed investment contracts as an investment vehicle for bond proceeds
- Public funds investment pools

The District's funds are required to be deposited and invested under the terms of a depository contract pursuant to the School Depository Act. The depository bank deposits for safekeeping and trust with the District's agent approved pledged securities in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance. Therefore the District is not exposed to custodial credit risk.

Under the depository contract, the District, at its own discretion, may invest funds in time deposits and certificates of deposit provided by the depository bank at interest rates approximating United States Treasury Bill rates.

At August 31, 2017, the carrying amount of the District's deposits was \$7,608,563 and the bank balance was \$6,039,682. The District's deposits with financial institutions at August 31, 2017 and during the year ended August 31, 2017 were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name. The deposits were collateralized in accordance with Texas law and the District maintains copies of all safekeeping receipts in the name of the District.

The District maintains a cash pool consisting of demand deposits. The combined pool is available for use by most Special Revenue Funds. If a fund overdraws its share of the pool, the overdraft is reported as an interfund payable in that fund. The offsetting interfund receivable is reported in the General Fund.

LIBERTY HILL INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2017

The following is disclosed regarding coverage of combined balances on the date of highest deposit:

- a) Name of depository bank: Prosperity Bank
- b) The amount of bond and/or security pledged as of the date of the highest combined balance on deposit was \$52,803,669.
- c) The largest cash, savings and time deposit combined account balance amounted to \$45,544,098 and occurred during the month of December 2016.
- d) Total amount of FDIC coverage at the time of highest combined balance was \$250,000.

Investments held at August 31, 2017 consisted of the following:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Days)</u>	<u>Standard & Poor's Rating</u>
Local Government Investment Pool:			
LoneStar	\$ 6,005,905	1	AAAm
Total Investments	\$ 6,005,905		

The District had investments in one external local governmental investment pool at August 31, 2017, consisting of Lone Star.

Lone Star is governed by an eleven member board of trustees, in which all of the members are also participants in Lone Star. The board meets quarterly to review operations, adopt or make changes to the investment policy, review financial activity and approve contractor agreements. Lone Star also has an advisory board consisting of participants and nonparticipants. RBC Dain Rauscher, Inc. is an independent consultant for Lone Star that reviews daily operations, analyzes all investment transactions for compliance with the Public Funds Investment Act, and performs monitoring activities. The Bank of New York provides custody and valuation services for Lone Star. American Beacon Advisors and Standish Mellon provide other investment management services. Lone Star's investment policy stipulates that it must invest in accordance with the Public Funds Investment Act.

Credit Risk - Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized agencies are designed to give an indication of credit risk. At August 31, 2017, investments were included in local governmental investment pools with ratings from Standard & Poor's in compliance with the District's investment policy.

Custodial Credit Risk - Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the District's name. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the District, and are held by either the counterparty or the counterparty's trust department or agent but not in the District's name. At August 31, 2017, the District was not exposed to custodial credit risk.

Concentration of Credit Risk - Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investments in a single issuer. Information regarding investments in any one issuer that represents five percent or more of the District's total investments must be disclosed under GASB Statement No. 40, excluding investments issued or explicitly guaranteed by the U.S. government. At August 31, 2017, the District had 100% of its investments in local governmental investment pools.

LIBERTY HILL INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2017

Interest Rate Risk - As a means of minimizing risk of loss due to interest rate fluctuations, the District's investment policy requires that maturities will not exceed the weighted average maturity of 180 days for any internally created pool fund group and one year from the time of purchase for any other individual investment. The Board may specifically authorize a longer maturity for a given investment, within legal limits. The District considers the holdings in the local governmental investment pools to have a one day weighted average maturity due to the fact that the share position can usually be redeemed each day at the discretion of the shareholders, unless there has been a significant change in value. At August 31, 2017, investments were included in local government investment pools which have a weighted average maturity of one day.

3. PROPERTY TAXES

The Texas Legislature in 1979 adopted a comprehensive Property Tax Code (the "Code") which established a county-wide appraisal district and an appraisal review board in each county in the State. The Williamson Central Appraisal District (the "Appraisal District") is responsible for the recording and appraisal of all property in the District. Under the Code, the school board sets the tax rates on property and the Williamson County Tax Assessor/Collector provides tax collection services. The Appraisal District is required under the Code to assess property at 100% of its appraised value. Further, real property must be reappraised at least every three years. Under certain circumstances, taxpayers and taxing units, including the District, may challenge orders of the Appraisal Review Board through various appeals and, if necessary, legal action.

Property taxes are levied as of October 1 in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes and penalties and interest that are ultimately imposed. Property tax revenues are considered available when they become due or past due and receivable within the current period, including those property taxes expected to be collected during a 60 day period after the end of the District's fiscal year. The assessed value at January 1, 2016, upon which the October 2016 levy was based was \$1,670,234,956. The District levied taxes based on a combined tax rate of \$1.54 per \$100 of assessed valuation for local maintenance (general governmental services) and debt service.

4. DUE FROM/TO OTHER GOVERNMENTS

The District participates in a variety of federal and state programs from which it receives grants to partially or fully fund certain activities. The District also receives entitlements from the State through the School Foundation and Per Capita Programs. Grants and entitlements are recorded as revenue when earned, therefore at year end amounts earned but not yet received in cash may be recorded as due from the grantor government. Amounts already received in cash but not yet earned are recorded as due to the grantor government.

LIBERTY HILL INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2017

A summary of amounts recorded as Due From/Due To Other Governments in the basic financial statements as of August 31, 2017 are summarized below:

Due From Other Governments:	General Fund	Debt Service Fund	Non-Major Governmental Funds	Total
Governmental Activities:				
Foundation & Per Capita entitlements	\$ 1,483,362	\$ -	\$ -	\$ 1,483,362
State grants	-	711	68,716	69,427
Federal grants	-	-	137,463	137,463
Total - Governmental Activities	\$ 1,483,362	\$ 711	\$ 206,179	\$ 1,690,252

Due To Other Governments:	Non-Major Governmental	
	Funds	Total
Governmental Activities:		
State grants	7,551	7,551
Federal grants	5,019	5,019
Total - Governmental Activities	\$ 12,570	\$ 12,570

5. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

During the course of operations, the individual funds of the District may engage in temporary borrowings of money between one another to meet liquidity needs. These interfund receivables and payables are recorded on the balance sheet of the loaning fund as “Due from Other Funds” and on the balance sheet of the borrowing fund as “Due to Other Funds”. Amounts are repaid when funds are available in the borrowing fund.

Individual funds may also make payments between one another which are intended to be permanent and therefore not repaid. These transactions are recorded on the statement of revenues, expenditures, and changes in fund balance as “Transfers Out” for the paying fund and “Transfers In” for the receiving fund.

During the year, there were no transfers between the funds.

The composition of interfund balances as of August 31, 2017 was as follows:

Receivable Fund	Payable Fund	Amount
General Fund	General Fund	\$ 483,455
	Special Revenue Funds	138,426
	Debt Service Fund	5,901
Total General Fund		627,782
Capital Project Fund	General Fund	3,735
Total Capital Project Fund		3,735
Trust and Agency Funds	General Fund	100
Total Trust and Agency Funds		100
Grand Total		\$ 631,617

LIBERTY HILL INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2017

6. CAPITAL ASSETS

Capital asset activity for the year ended August 31, 2017 was as follows:

	Beginning Balance 9/1/16				Ending Balance 8/31/17
	Additions	Retirements	Adjustments		
Governmental activities:					
Capital assets, not being depreciated:					
Land	\$ 2,954,331	\$ -	\$ -	\$ -	\$ 2,954,331
Construction in progress	2,604,312	-	-	(2,604,312)	-
Total capital assets, not being depreciated	5,558,643	-	-	(2,604,312)	2,954,331
Capital assets, being depreciated:					
Buildings and improvements	129,067,789	28,202,410	-	2,604,312	159,874,511
Furniture and equipment	6,529,741	1,714,856	(181,259)	-	8,063,338
Equipment under Capital Lease	2,717,740	492,787	-	-	3,210,527
Total capital assets, being depreciated	138,315,270	30,410,053	(181,259)	2,604,312	171,148,376
Less accumulated depreciation for:					
Buildings and improvements	(18,760,748)	(2,656,483)	-	-	(21,417,231)
Furniture and equipment	(4,689,473)	(328,087)	181,259	-	(4,836,301)
Equipment under Capital Lease	(1,783,854)	(376,989)	-	-	(2,160,843)
Total accumulated depreciation	(25,234,075)	(3,361,559)	181,259	-	(28,414,375)
Governmental Activities Capital Assets, Net	\$ 118,639,838	\$ 27,048,494	\$ -	\$ -	\$ 145,688,332

Depreciation expense was charged to the functions of the District as follows:

Function	Depreciation Allocation
Instruction	\$ 1,871,026
Instructional Resources & Media	51,629
Curriculum & Staff Development	100,023
Instructional Leadership	30,814
School Leadership	173,853
Guidance/Counseling/Evaluation Services	112,871
Health Services	31,608
Student Transportation	116,093
Food Services	156,773
Cocurricular/Extracurricular Activities	189,143
General Administration	129,959
Plant Maintenance and Operations	300,076
Security and Monitoring Services	4,262
Data Processing Services	71,224
Payments to Juvenile Justice Alternative Ed. Prog.	4,604
Other Intergovernmental Charges	17,601
Totals	\$ 3,361,559

LIBERTY HILL INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2017

7. BONDS, NOTES, AND OTHER LONG-TERM LIABILITIES

Governmental activities long-term debt obligations at August 31, 2017 consisted of the following:

General Long-Term Debt Description	Outstanding at August 31, 2017
\$85,705,000 Series 2011 Unlimited Tax Building Bonds due in annual installments of \$2,580,000 to \$8,165,000 through August 1, 2040; interest at 5.00%.	\$ 85,705,000
\$2,357,628 Series 2011 Capital Appreciation Bonds due in installments of \$1,346,965 to \$1,824,870 through August 1, 2030; remaining including accumulated accretion.	6,299,526
\$9,595,000 Series 2013 Variable Rate Unlimited Tax Refunding Bonds due in installments of \$290,000 to \$1,295,000 through February 1, 2025; interest at 2.51% to 6.00%.	7,955,000
\$15,110,000 Series 2014 Unlimited Tax Refunding Bonds- CIBs due in installments of \$1,480,000 to \$1,905,000 through August 1, 2034; interest at 5.00%.	15,110,000
\$607,702 Series 2014 Unlimited Tax Refunding Bonds- CABs due on February 1, 2035; remaining including accumulated accretion.	924,472
\$33,840,000 Series 2016 Unlimited Tax School Building Bonds due in annual installments of \$25,000 to \$4,895,000 through February 1, 2045; interest at 2.00% to 4.00%.	33,840,000
\$1,163,064 Series 2010 Maintenance Tax Notes due in installments of \$77,147 to \$86,722 through August 1, 2025; interest at 1.75%.	656,115
\$1,000,000 Series 2015 Maintenance Tax Notes due in installments of \$100,000 to \$125,000 through August 1, 2025; interest at 0.85% to 2.37%.	905,000
\$179,572 Notes Payable for Buses Series 2011, with Government Capital Corporation, issued 2011, due in one remaining installment of \$28,570 through September 19, 2019; interest at 3.69%.	28,570
\$185,000 Notes Payable for Buses Series 2013, with Government Capital Corporation, issued 2013, due in annual installments of \$27,419 to \$29,515 through September 17, 2020; interest at 2.97%.	85,382
\$185,256 Notes Payable for Buses Series 2013, with Government Capital Corporation, issued 2013, due in annual installments of \$26,740 to \$29,202 through September 15, 2021; interest at 2.97%.	111,836
\$283,700 Notes Payable for Buses Series 2014, with Government Capital Corporation, issued 2014, due in annual installments of \$39,519 to \$43,971 through September 15, 2021; interest at 2.97%.	166,875
\$396,351 Notes Payable for Buses Series 2015, with Government Capital Corporation, issued 2015, due in annual installments of \$38,328 to \$43,961 through September 15, 2022; interest at 3.18% to 3.43%.	205,481
\$277,275 Notes Payable for Buses Series 2016, with Government Capital Corporation, issued 2016, due in annual installments of \$36,115 to \$42,765 through September 15, 2023; interest at 3.438%.	236,191
\$451,914 Capital Lease, with Dell Financial Services, issued 2016, due in one remaining installment of \$150,501 through June, 2018; interest at 3.18% to 3.43%.	150,501
\$492,786 Capital Lease, with Dell Financial Services, issued 2017, due in annual installments of \$56,955 to \$165,152 through June, 2019; interest at 4.46%.	321,108
Total General Obligation and Refunding Bonds, Notes Payable and Capital Leases	\$ 152,701,057

LIBERTY HILL INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2017

The following is a summary of changes in long-term liabilities for the year ended August 31, 2017:

Type	Outstanding 9/1/16	Additions	Deletions	Current Accretion	Outstanding 8/31/17	Due in One Year
Bonds Payable:						
General Oblig. & Refunding Bonds	\$ 150,666,630	\$ -	\$ (1,905,000)	\$ 1,072,368	\$ 149,833,998	\$ 3,044,870
Premium on Issuance of Bonds	8,445,759	-	(1,036,070)	-	7,409,689	-
Total Bonds	159,112,389	-	(2,941,070)	1,072,368	157,243,687	3,044,870
Other Long-Term Liabilities:						
Notes Payable	1,731,965	-	(170,850)	-	1,561,115	177,147
Capital Leases	1,618,242	492,787	(805,085)	-	1,305,944	529,789
Net Pension Liability	5,148,003	680,051	-	-	5,828,054	-
Total Other Long-Term Debt	8,498,210	1,172,838	(975,935)	-	8,695,113	706,936
Total Governmental Activities	\$ 167,610,599	\$ 1,172,838	\$ (3,917,005)	\$ 1,072,368	\$ 165,938,800	\$ 3,751,806

For the general obligation bonds, the District has pledged as collateral the proceeds of a continuing, direct annual tax levied against taxable property within the District. The Texas Education Code generally limits issuance of additional ad valorem tax bonds if the tax rate needed to pay aggregate principal and interest amounts of the District's tax bond indebtedness would exceed \$0.50 per \$100 of assessed valuation of taxable property within the District.

Annual principal installments for outstanding bonds vary each year. The debt service requirements to maturity for general obligation bonds as of August 31, 2017 are as follows:

Year Ended August 31,	General Obligations			Total Requirements
	Principal	Accumulated Accretion	Interest	
2018	\$ 1,492,208	\$ 1,552,662	\$ 6,491,936	\$ 9,536,806
2019	1,480,001	1,432,830	6,475,476	9,388,307
2020	1,467,006	1,322,854	6,672,600	9,462,460
2021	1,494,940	1,222,025	6,594,850	9,311,815
2022	3,565,000	-	6,544,900	10,109,900
2023-2027	21,460,000	-	29,687,925	51,147,925
2028-2032	28,490,000	-	23,572,875	52,062,875
2033-2037	34,612,702	316,770	19,004,798	53,934,270
2038-2042	35,225,000	-	6,923,150	42,148,150
2043-2045	14,700,000	-	881,600	15,581,600
Totals	\$ 143,986,857	\$ 5,847,141	\$ 112,850,110	\$ 262,684,108

LIBERTY HILL INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2017

The debt service requirements for notes payable and capital leases as of August 31, 2017 are as follows:

Year Ended August 31,	Principal	Interest	Total Requirements
2018	\$ 652,726	\$ 84,340	\$ 737,066
2019	550,184	58,638	608,822
2020	369,882	40,113	409,995
2021	346,914	29,622	376,536
2022	283,027	20,948	303,975
2023-2025	664,326	27,557	691,883
	<u>\$ 2,867,059</u>	<u>\$ 261,218</u>	<u>\$ 3,128,277</u>

8. DEFINED BENEFIT PENSION PLAN

Plan Description

Liberty Hill Independent School District participates in a cost-sharing multiple-employer defined benefit pension plan that has a special funding situation. The plan is administered by the Teacher Retirement System of Texas (TRS). TRS's defined benefit pension plan is established and administered in accordance with the Texas Constitution, Article XVI, Section 67 and Texas Government Code, Title 8, Subtitle C. The pension trust fund is a qualified pension trust under Section 401(a) of the Internal Revenue Code. The Texas Legislature establishes benefits and contribution rates within the guidelines of the Texas Constitution. The pension's Board of Trustees does not have the authority to establish or amend benefit terms.

All employees of public, state-supported education institutions in Texas who are employed for one-half or more of the standard work load and who are not exempted from membership under Texas Government Code, Title 8, Section 822.002 are covered by the system.

Pension Plan Fiduciary Net Position

Detailed information about the Teacher Retirement System's fiduciary net position is available in a separately issued Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at <http://www.trs.state.tx.us/about/documents/cafr.pdf#CAFR>; by writing to TRS at 1000 Red River Street, Austin, Texas, 78701-2698; or by calling (512) 542-6592. The information provided in the Notes to the Financial Statements in the 2016 Comprehensive Annual Financial Report for TRS provides the following information regarding the Pension Plan fiduciary net position as of August 31, 2016.

<u>Net Pension Liability</u>	<u>Total</u>
Total Pension Liability	\$ 171,797,150,487
Less: Plan Fiduciary Net Position	<u>(134,008,637,473)</u>
Net Pension Liability	<u>\$ 37,788,513,014</u>
Net Position as a Percentage of Total Pension Liability	78.00%

LIBERTY HILL INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED AUGUST 31, 2017

Benefits Provided

TRS provides service and disability retirement, as well as death and survivor benefits, to eligible employees (and their beneficiaries) of public and higher education in Texas. The pension formula is calculated using 2.3 percent (multiplier) times the average of the five highest annual creditable salaries times years of credited service to arrive at the annual standard annuity except for members who are grandfathered, the three highest annual salaries are used. The normal service retirement is at age 65 with 5 years of credited service or when the sum of the member's age and years of credited service equals 80 or more years. Early retirement is at age 55 with 5 years of service credit or earlier than 55 with 30 years of service credit. There are additional provisions for early retirement if the sum of the member's age and years of service credit total at least 80, but the member is less than age 60 or 62 depending on the date of employment, or if the member was grandfathered under a previous rule. There are no automatic post-employment benefit changes; including automatic cost-of-living-adjustments (COLAs). Ad hoc post-employment benefit changes, including ad hoc COLAs can be granted by the Texas Legislature as noted in the Plan description above.

Contributions

Contribution requirements are established or amended pursuant to Article 16, section 67 of the Texas Constitution which requires the Texas legislature to establish a member contribution rate of not less than 6% of the member's annual compensation and a state contribution rate of not less than 6% and not more than 10% of the aggregate annual compensation paid to members of the system during the fiscal year. Texas Government Code section 821.006 prohibits benefit improvements, if as a result of the particular action, the time required to amortize TRS' unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action.

Employee contribution rates are set in state statute, Texas Government Code 825.402. Senate Bill 1458 of the 83rd Texas Legislature amended Texas Government Code 825.402 for member contributions and established employee contribution rates for fiscal years 2014 thru 2017. The 84th Texas Legislature, General Appropriations Act ("GAA") established the employer contribution rates for fiscal years 2016 and 2017.

<u>Contribution Rates</u>	<u>2016</u>	<u>2017</u>
Member	7.2%	7.7%
Non-Employer Contributing Entity (State)	6.8%	6.8%
Employers	6.8%	6.8%
 <u>Contribution Amounts</u>		
Employer Contribution	\$ 493,276	\$ 540,907
Member Contributions	1,379,643	1,637,350
State On-Behalf Contributions	1,229,230	1,372,594

LIBERTY HILL INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED AUGUST 31, 2017

Contributors to the plan include members, employers, and the State of Texas as the only non-employer contributing entity (“NECE”). The State contributes to the plan in accordance with state statutes and the GAA.

As the non-employer contributing entity for public education, the State of Texas contributes to the retirement system an amount equal to the current employer contribution rate times the aggregate annual compensation of all participating members of the pension trust fund during that fiscal year reduced by the amounts described below which are paid by the employers. Public school employers are required to pay the employer contribution rate in the following instances:

- On the portion of the member’s salary that exceeds the statutory minimum for members entitled to the statutory minimum under Section 21.402 of the Texas Education Code
- During a new member’s first 90 days of employment
- When any part or all of an employee’s salary is paid by federal funding sources, a privately sponsored source, from non-educational and general, or local funds

In addition to the employer contributions listed above, there are two additional surcharges an employer is subject to:

- When employing a retiree of the Teacher Retirement System the employer shall pay both the member contribution and the state contribution as an employment after retirement surcharge
- When a school district does not contribute to the Federal Old-Age, Survivors, and Disability Insurance (OASDI) Program for certain employees, they must contribute 1.5% of the state contribution rate for certain instructional or administrative employees; and 100% of the state contribution rate for all other employees

Actuarial Assumptions

The total pension liability in the August 31, 2016 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	August 31, 2016
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Actuarial Assumptions:	
Single Discount Rate	8.00%
Long-Term Expected Investment Rate of Return	8.00%
Municipal Bond Rate*	N/A*
Last year ending August 31 in the 2016 to 2115	
Projection period (100 years)	2115
Inflation	2.50%
Salary Increases	3.50% to 9.50% including inflation
Benefit Changes During the Year	None
Ad Hoc Post-Employment Benefit Changes	None

*If a municipal bond rate was to be used, the rate would be 2.84% as of August 2016 (i.e. the weekly rate closest to but not later than the Measurement Date). The source for the rate is the Federal Reserve Statistical Release H.15, citing the Bond Buyer Index of general obligation bonds with 20 years to maturity and an average AA credit rating.

LIBERTY HILL INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2017

The total pension liability is determined by an annual actuarial valuation. The actuarial methods and assumptions have been selected by the Board of Trustees based upon analysis and recommendations by the System’s actuary. The Board of Trustees has sole authority to determine the actuarial assumptions used for the plan. The actuarial methods and assumptions are primarily based on a study of actual experience for the four year period ending August 31, 2014 and were adopted in September 2015.

The active mortality rates were based on 90% of the RP 2014 Employee Mortality Tables for males and females. The Post-retirement mortality rates were based on the 2015 TRS of Texas Healthy Pensioner Mortality Tables.

Discount Rate

A single discount rate of 8.0 % was used to measure the total pension liability. There was no change in the discount rate since the previous fiscal year. This single discount rate was based on the expected rate of return on pension plan investments of 8.0%. The projection of cash flows used to determine this single discount rate assumed that contributions from plan members and those of the contributing employers and the non-employer contributing entity will be made at the rates set by the legislature during the 2013 legislative session.

Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability with no cross-over point to a municipal bond rate.

The long-term expected rate of return on pension plan investments is 8.0%. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of geometric real rates of return for each major asset class included in the systems target asset allocation as of August 31, 2016 are summarized below:

Asset Class	Target Allocation	Long-Term Expected Geometric Real Rate of Return	Expected Contribution to Long-Term Portfolio Returns
Global Equity			
U.S.	18%	4.6%	1.0%
Non-U.S. Developed	13%	5.1%	0.8%
Emerging Markets	9%	5.9%	0.7%
Directional Hedge Funds	4%	3.2%	0.1%
Private Equity	13%	7.0%	1.1%
Stable Value			
U.S. Treasuries	11%	0.7%	0.1%
Absolute Return	0%	1.8%	0.0%
Stable Value Hedge Funds	4%	3.0%	0.1%
Cash	1%	-0.2%	0.0%
Real Return			
Global Inflation Linked Bonds	3%	0.9%	0.0%
Real Assets	16%	5.1%	1.1%
Energy and Natural Resources	3%	6.6%	0.2%
Commodities	0%	1.2%	0.0%
Risk Parity			
Risk Parity	5%	6.7%	0.3%
Inflation Expectations			2.2%
Alpha			1.0%
Total	<u>100%</u>		<u>8.7%</u>

LIBERTY HILL INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED AUGUST 31, 2017

Discount Rate Sensitivity Analysis

The following schedule shows the impact of the Net Pension Liability if the discount rate used was 1% less or 1% greater than the discount rate that was used (8%) in measuring the 2016 Net Pension Liability.

	1% Decrease in Discount Rate (7.0%)	Discount Rate 8.0%	1% Increase in Discount Rate (9.0%)
District's Proportionate Share of the Net Pension Liability:	\$ 9,019,864	\$ 5,828,054	\$ 3,120,754

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At August 31, 2017, Liberty Hill Independent School District reported a liability of \$5,828,054 for its proportionate share of the TRS net pension liability. This liability reflects a reduction for State pension support provided to Liberty Hill Independent School District. The amount recognized by Liberty Hill Independent School District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with Liberty Hill Independent School District were as follows:

District's Proportionate Share of the Collective Net Pension Liability	\$ 5,828,054
State's Proportionate Share that is Associated with the District	<u>12,812,903</u>
Total	<u><u>\$ 18,640,957</u></u>

The net pension liability last was measured as of August 31, 2016 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The employer's proportion of the net pension liability was based on the employer's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2015 through August 31, 2016.

At August 31, 2016 the employer's proportion of the collective net pension liability was .0154228188% which was an increase of .0008593188% from its proportion measured as of the previous measurement date of August 31, 2015.

There were no changes of assumptions or other inputs that affected measurement of the total pension liability during the measurement period. In addition, there were no changes of benefit terms that affected measurement of the total pension liability during the measurement period.

For the year ended August 31, 2017, Liberty Hill Independent School District recognized pension expense of \$533,924 and revenue of \$1,079,540 for support provided by the State.

LIBERTY HILL INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2017

At August 31, 2017, Liberty Hill Independent School District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	\$ 91,383	\$ 174,022
Changes in Actuarial Assumptions	177,629	161,546
Difference Between Projected and Actual Investment Earnings	1,123,074	629,566
Changes in Proportion and Difference Between the Employer's Contributions and the Proportionate Share of Contributions	1,872,408	344
Contributions Paid to TRS Subsequent to the Measurement Date	540,907	-
Total	\$ 3,805,401	\$ 965,478

The net amounts of the employer's balances of deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Measurement Year Ended 8/31:	Pension Expense Amount
2017	\$ 411,790
2018	411,790
2019	726,573
2020	387,601
2021	285,921
Thereafter	75,341

9. EMPLOYEE HEALTH CARE COVERAGE

During the year ended August 31, 2017, employees of the District were covered by the state-wide health insurance plan, TRS Active Care. The District contributed \$210 per month per employee to the Plan, the State provided an additional \$75 per month per employee, and employees, at their option, authorized payroll withholdings to pay contributions or premiums for dependents. TRS manages TRS Active Care. The Plan is administered by Aetna while Caremark was assigned the prescription drug plan.

10. RETIREE HEALTH CARE PLAN

Plan Description

The District contributes to the Texas Public School Retired Employees Group Insurance Program ("TRS-Care"), a cost-sharing multiple-employer defined benefit postemployment health care plan administered by TRS. TRS-Care provides health care coverage for certain persons (and their dependents) who retired under TRS. The statutory authority for the program is Texas Insurance Code (TIC), Chapter 1575. Section 1575.052 grants the TRS Board of Trustees the authority to establish and amend basic and optional group insurance coverage for participants. TRS issues a publicly available financial report that includes financial statements and required supplementary information for TRS-Care. That report may be obtained by visiting the TRS website at www.trs.state.tx.us under the TRS Publications heading, by writing to the Communications Department of the Teacher Retirement System of Texas at 1000 Red River Street, Austin, Texas 78701, or by calling the TRS Communications Department at 1-800-223-8778.

LIBERTY HILL INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED AUGUST 31, 2017

Funding Policy

Contribution requirements are not actuarially determined but are legally established each biennium by the Texas Legislature. TIC, Sections 1575.202, 203 and 204 establish state, active employee and public school contributions, respectively. Funding for free basic coverage is provided by the program based upon public school district payroll. Per TIC, Chapter 1575, the public school contribution may not be less than 0.25% or greater than 0.75% of the salary of each active employee of the public school. Funding for optional coverage is provided by those participants selecting the optional coverage. The State of Texas and active public school employee contribution rates were 1.0% and 0.65% of the public school payroll, respectively, with school districts contributing a percentage of payrolls set at 0.55% for fiscal years 2016 and 2017.

Medicare Part-D Subsidies

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, which was effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part-D. One of the provisions of Medicare Part-D allows for the Texas Public School Retired Employee Group Insurance Program (TRS-Care) to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants.

A summary of the subsidy payments received by TRS-Care on behalf of the District for the last two fiscal years is as follows:

Fiscal Year	Medicare Part-D State On-Behalf Payments
2017	\$ 65,413
2016	56,395

11. FUND BALANCES

The District complies with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Those fund balance classifications are described below.

Nonspendable - Amounts that cannot be spent because they are either not in a spendable form or are legally or contractually required to be maintained intact.

Restricted - Amounts that can be spent only for specific purposes because of constraints imposed by external providers, or imposed by constitutional provisions or enabling legislation.

Committed - Amounts that can only be used for specific purposes pursuant to approval by formal action by the Board.

Assigned - For the General Fund, the Board, or an official or body that has been delegated authority by the Board, may appropriate amounts that are to be used for a specific purpose. For all other governmental funds, any remaining positive amounts not previously classified as nonspendable, restricted or committed.

LIBERTY HILL INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED AUGUST 31, 2017

Unassigned - Amounts that are available for any purpose; these amounts can be reported only in the District's General Fund.

A detail of the fund balance amounts within each category is included on the governmental funds balance sheet.

Fund balance of the District may be committed for a specific purpose by formal action of the Board, the District's highest level of decision-making authority. Commitments may be established, modified, or rescinded only through a resolution approved by the Board. The Board has delegated authority to the Superintendent to assign fund balance for a specific purpose. In circumstances where an expenditure is to be made for a purpose for which amounts are available in multiple fund balance classifications, the order in which resources will be expended is as follows: restricted fund balance, committed fund balance, assigned fund balance, and unassigned fund balance.

12. REVENUE FROM LOCAL AND INTERMEDIATE SOURCES

During the current year, revenues from local and intermediate sources consisted of the following:

Type	General Fund	Debt Service Fund	Capital Projects Fund	Non-Major Governmental Funds	Total
Property Taxes	\$ 17,752,324	\$ 8,499,595	\$ -	\$ -	\$ 26,251,919
Tuition and Fees	52,163	-	-	-	52,163
Investment Income	45,735	28,876	71,537	3	146,151
Rent	29,401	-	-	-	29,401
Gifts	14,388	-	-	-	14,388
Food Sales	-	-	-	875,425	875,425
Athletics	148,366	-	-	-	148,366
Enterprising Revenues	-	-	-	412,240	412,240
Miscellaneous Local Revenue	61,212	-	-	-	61,212
Total	<u>\$ 18,103,589</u>	<u>\$ 8,528,471</u>	<u>\$ 71,537</u>	<u>\$ 1,287,668</u>	<u>\$ 27,991,265</u>

13. UNEARNED REVENUE

Unearned revenue at August 31, 2017 consisted of the following amounts:

Fund	State Grants
Non-Major Governmental Funds	\$ 1,193
Total	<u>\$ 1,193</u>

LIBERTY HILL INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED AUGUST 31, 2017

14. RISK MANAGEMENT

The District’s risk management program includes coverages through third party insurance providers for property, automobile liability, school professional liability, crime, worker’s compensation, and other miscellaneous bonds. During the year ended August 31, 2017, there were no significant reductions in insurance coverage from coverage in the prior year. Losses in excess of the various deductible levels are covered through traditional indemnity coverage for buildings and contents, and vehicle liability with various insurance firms. Settled claims have not exceeded insurance limits for the past three years.

15. SELF-INSURANCE FUND

The District participates in a workers’ compensation plan through a Fixed Cost/Loss Fund Program administered by Claims Administrative Services, Inc (CAS). The District’s ultimate liability is the ending liability in its loss fund. CAS has excess insurance for the pool and the current self-insured retention is \$1 million.

A reconciliation of the estimated claim liability is as follows:

Year Ended August 31,	Beginning Liability	Estimated Current Year Claims	Claim Payments	Ending Liability
2017	\$ 115,980	\$ 151,637	\$ 102,145	\$ 165,471

16. UNEMPLOYMENT COMPENSATION POOL

During the year ended August 31, 2017, Liberty Hill Independent School District provided unemployment compensation coverage to its employees through participation in the TASB Risk Management Fund (the Fund). The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. The Fund’s Unemployment Compensation Program is authorized by Section 22.005 of the Texas Education Code and Chapter 172 of the Texas Local Government Code. All members participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties.

The Fund meets its quarterly obligation to the Texas Workforce Commission. Expenses are accrued monthly until the quarterly payment has been made. Expenses can be reasonably estimated; therefore there is no need for specific or aggregate stop loss coverage for the Unemployment Compensation pool. For the year ended August 31, 2017, the Fund anticipates that Liberty Hill Independent School District has no additional liability beyond the contractual obligation for payment of contribution. The Fund engages the services of an independent auditor to conduct a financial audit after the close of each year on August 31. The audit is accepted by the Fund’s Board of Trustees in February of the following year. The Fund’s audited financial statements as of August 31, 2016, are available on the TASB Risk Management Fund website and have been filed with the Texas Department of Insurance in Austin.

THIS PAGE LEFT BLANK INTENTIONALLY

LIBERTY HILL INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2017

17. COMMITMENTS AND CONTINGENCIES

The District participates in a number of federal financial assistance programs. Although the District's grant programs have been audited in accordance with the provisions of *Government Auditing Standards* and when applicable, the Uniform Guidance, for the year ended August 31, 2017, these programs are subject to financial and compliance audits performed by the specific grantors. These audits, if performed, could result in amounts of expenditures being disallowed by the granting agencies and subject to repayment. The District however expects that such amounts, if any, would be immaterial.

18. SUBSEQUENT EVENTS

On October 16, 2017, the Board of Trustees called for an issuance of \$47,335,000 Unlimited Tax Refunding Bonds, Series 2017 for refunding a portion of the District's currently outstanding Unlimited Tax School Building and Refunding Bonds, Series 2011 and to pay for the costs of issuance of the bonds. The bonds are scheduled to be issued on December 21, 2017.

THIS PAGE LEFT BLANK INTENTIONALLY

REQUIRED SUPPLEMENTARY INFORMATION

LIBERTY HILL INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY -
 TEACHER RETIREMENT SYSTEM
 FOR THE YEAR ENDED AUGUST 31, 2017

	<u>2015</u>	<u>2016</u>	<u>2017</u>
District's Proportion of the Net Pension Liability	0.0074017000%	0.0145635000%	0.0154228188%
District's Proportionate Share of the Net Pension Liability	\$ 1,977,097	\$ 5,148,003	\$ 5,828,054
State's Proportionate Share of the District Net Pension Liability	<u>9,727,141</u>	<u>11,711,666</u>	<u>12,812,903</u>
Total	<u>\$ 11,704,238</u>	<u>\$ 16,859,669</u>	<u>\$ 18,640,957</u>
District's Covered-Employee Payroll	\$ 17,630,271	\$ 18,932,473	\$ 21,264,355
District's Proportionate Share of the Net Pension Liability as a percentage of its covered-employee payroll	11.2%	27.2%	27.4%
Plan Fiduciary Net Position as a Percentage of the Total Net Pension Liability	83.25%	78.43%	78.00%

LIBERTY HILL INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF DISTRICT CONTRIBUTIONS –
 TEACHER RETIREMENT SYSTEM
 FOR THE YEAR ENDED AUGUST 31, 2017

	<u>2015</u>	<u>2016</u>	<u>2017</u>
Contractually Required Contribution	\$ 459,574	\$ 493,276	\$ 540,907
Contribution in Relation to the Contractually Required Contribution	<u>(459,574)</u>	<u>(493,276)</u>	<u>(540,907)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's Covered-Employee Payroll	\$ 17,630,271	\$ 18,932,473	\$ 21,264,355
Contributions as a Percentage of Covered-Employee Payroll	2.6%	2.6%	2.5%

THIS PAGE LEFT BLANK INTENTIONALLY

LIBERTY HILL INDEPENDENT SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED AUGUST 31, 2017

Changes of Benefit Terms

There were no changes of benefit terms that affected measurement of the total pension liability during the measurement period.

Changes of Assumptions

There were no changes of assumptions or other inputs that affected measurement of the total pension liability during the measurement period.

THIS PAGE LEFT BLANK INTENTIONALLY

**COMBINING AND INDIVIDUAL FUND
STATEMENTS AND SCHEDULES**

LIBERTY HILL INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2017

Data	206	211	224	225	226
Control Codes	ESEA, Title X, Part C	ESEA, Title I, Part A	IDEA-Part B, Formula	IDEA-Part B, Preschool	IDEA-Part B, Discretionary
ASSETS					
1110 Cash and Cash Equivalents	\$ -	\$ -	\$ -	\$ 609	\$ -
1240 Due from Other Governments	-	-	113,700	-	-
1290 Other Receivables	-	-	-	-	-
1000A Total Assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 113,700</u>	<u>\$ 609</u>	<u>\$ -</u>
LIABILITIES					
2110 Accounts Payable	\$ -	\$ -	\$ 6,031	\$ -	\$ -
2160 Accrued Wages Payable	-	-	25,998	-	-
2170 Due to Other Funds	-	-	77,261	-	-
2180 Due to Other Governments	-	-	4,410	609	-
2300 Unearned Revenues	-	-	-	-	-
2000 Total Liabilities	<u>-</u>	<u>-</u>	<u>113,700</u>	<u>609</u>	<u>-</u>
FUND BALANCES					
Restricted for:					
3450 Federal or State Funds Restricted	-	-	-	-	-
Committed for:					
3545 Campus Activities	-	-	-	-	-
3000 Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
4000 Total Liabilities and Fund Balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 113,700</u>	<u>\$ 609</u>	<u>\$ -</u>

240 National Breakfast and Lunch Program	255 ESEA, Title II, Part A	263 Title III, Part A	410 State Textbook Fund	427 State Funded Special Revenue Funds	429 State Funded Special Revenue Funds	461 Campus Activity Funds	Total Non- Major Governmental Funds
\$ 87,270	\$ -	\$ -	\$ -	\$ -	\$ 1,193	\$ 204,051	\$ 293,123
23,763	-	-	68,716	-	-	-	206,179
1,606	-	-	-	-	-	-	1,606
<u>\$ 112,639</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 68,716</u>	<u>\$ -</u>	<u>\$ 1,193</u>	<u>\$ 204,051</u>	<u>\$ 500,908</u>
\$ 42,485	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 48,516
27,041	-	-	-	-	-	-	53,039
-	-	-	61,165	-	-	-	138,426
-	-	-	7,551	-	-	-	12,570
-	-	-	-	-	1,193	-	1,193
<u>69,526</u>	<u>-</u>	<u>-</u>	<u>68,716</u>	<u>-</u>	<u>1,193</u>	<u>-</u>	<u>253,744</u>
43,113	-	-	-	-	-	-	43,113
-	-	-	-	-	-	204,051	204,051
<u>43,113</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>204,051</u>	<u>247,164</u>
<u>\$ 112,639</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 68,716</u>	<u>\$ -</u>	<u>\$ 1,193</u>	<u>\$ 204,051</u>	<u>\$ 500,908</u>

LIBERTY HILL INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2017

Data	206	211	224	225	226
Control					
Codes	ESEA, Title X, Part C	ESEA, Title I, Part A	IDEA-Part B, Formula	IDEA-Part B, Preschool	IDEA-Part B, Discretionary
REVENUES					
5700 Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ -	\$ -
5800 State Program Revenues	-	-	-	-	-
5900 Federal Program Revenues	2,357	146,990	524,271	4,246	62,701
5020 Total Revenues	<u>2,357</u>	<u>146,990</u>	<u>524,271</u>	<u>4,246</u>	<u>62,701</u>
EXPENDITURES					
0011 Instruction	2,357	146,990	103,670	4,246	62,701
0013 Curriculum & Instructional Staff Dev.	-	-	5	-	-
0021 Instructional Leadership	-	-	82,688	-	-
0031 Guidance, Counseling & Evaluation Svcs.	-	-	337,908	-	-
0035 Food Services	-	-	-	-	-
0036 Cocurricular/Extracurricular Activities	-	-	-	-	-
0051 Plant Maintenance and Operations	-	-	-	-	-
6030 Total Expenditures	<u>2,357</u>	<u>146,990</u>	<u>524,271</u>	<u>4,246</u>	<u>62,701</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
1200 Net Change in Fund Balance	-	-	-	-	-
0100 Fund Balance - Beginning	-	-	-	-	-
3000 Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

240 National Breakfast and Lunch Program	255 ESEA, Title II, Part A	263 Title III, Part A	410 State Textbook Fund	427 State Funded Special Revenue Funds	429 State Funded Special Revenue Funds	461 Campus Activity Funds	Total Non- Major Governmental Funds
\$ 875,428	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 412,240	\$ 1,287,668
7,424	-	-	357,317	4,519	36,729	-	405,989
650,152	33,961	1,006	-	-	-	-	1,425,684
1,533,004	33,961	1,006	357,317	4,519	36,729	412,240	3,119,341
-	23,961	-	357,317	4,519	31,479	-	737,240
-	10,000	1,006	-	-	5,250	-	16,261
-	-	-	-	-	-	-	82,688
-	-	-	-	-	-	-	337,908
1,494,644	-	-	-	-	-	-	1,494,644
-	-	-	-	-	-	346,133	346,133
28,471	-	-	-	-	-	-	28,471
1,523,115	33,961	1,006	357,317	4,519	36,729	346,133	3,043,345
9,889	-	-	-	-	-	66,107	75,996
9,889	-	-	-	-	-	66,107	75,996
33,224	-	-	-	-	-	137,944	171,168
\$ 43,113	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 204,051	\$ 247,164

LIBERTY HILL INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF DELINQUENT TAXES RECEIVABLE
 FOR THE YEAR ENDED AUGUST 31, 2017

Last 10 Years Ended August 31,	1		2	3
	Tax Rates			Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service		
2008	Various		Various	Various
2009	1.04000	0.21000		\$ 966,712,884
2010	1.04000	0.21000		1,024,302,844
2011	1.04000	0.22000		1,017,614,474
2012	1.04000	0.29500		1,029,663,271
2013	1.04000	0.41000		1,033,273,034
2014	1.04000	0.50000		1,081,715,260
2015	1.04000	0.50000		1,224,736,883
2016	1.04000	0.50000		1,403,788,766
2017	1.04000	0.50000		1,670,234,956
TOTALS				

10	20	31	32	40	50
Beginning Balance 9/1/16	Current Year's Total Levy	Maintenance Collections	Debt Service Collections	Entire Year's Adjustments	Ending Balance 8/31/17
\$ 14,959	\$ -	\$ 889	\$ 179	\$ (452)	\$ 13,439
3,939	-	20	4	-	3,915
4,248	-	-	-	-	4,248
6,768	-	26	5	(27)	6,710
7,762	-	371	105	(30)	7,256
11,817	-	1,424	561	(358)	9,474
11,658	-	1,134	545	929	10,908
25,267	-	6,823	3,280	1,151	16,315
218,681	-	91,524	44,002	(63,911)	19,244
-	25,721,618	17,546,245	8,435,695	449,011	188,689
<u>\$ 305,099</u>	<u>\$ 25,721,618</u>	<u>\$ 17,648,456</u>	<u>\$ 8,484,376</u>	<u>\$ 386,313</u>	<u>\$ 280,198</u>

LIBERTY HILL INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL – CHILD NUTRITION PROGRAM
 FOR THE YEAR ENDED AUGUST 31, 2017

Data Control Codes	Budgeted Amounts		Actual	Variance With Final Budget	
	Original	Final	Amounts (GAAP BASIS)		
REVENUES					
5700	Local & Intermediate Sources	\$ 860,836	\$ 874,836	\$ 875,428	\$ 592
5800	State Program Revenues	6,472	6,472	7,424	952
5900	Federal Program Revenues	673,387	723,387	650,152	(73,235)
5020	Total Revenues	<u>1,540,695</u>	<u>1,604,695</u>	<u>1,533,004</u>	<u>(71,691)</u>
EXPENDITURES					
0035	Food Services	1,523,795	1,574,295	1,494,644	79,651
0051	Facilities Maint. & Operations	16,900	30,400	28,471	1,929
6030	Total Expenditures	<u>1,540,695</u>	<u>1,604,695</u>	<u>1,523,115</u>	<u>81,580</u>
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>-</u>	<u>9,889</u>	<u>9,889</u>
1200	Net Change in Fund Balances	-	-	9,889	9,889
0100	Fund Balance-September 1 (Beginning)	33,224	33,224	33,224	-
3000	Fund Balance-August 31 (Ending)	<u>\$ 33,224</u>	<u>\$ 33,224</u>	<u>\$ 43,113</u>	<u>\$ 9,889</u>

LIBERTY HILL INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL – DEBT SERVICE FUND
 FOR THE YEAR ENDED AUGUST 31, 2017

Data Control Codes	Budgeted Amounts		Actual	Variance With	
	Original	Final	Amounts (GAAP BASIS)	Final Budget	
REVENUES					
5700	Local & Intermediate Sources	\$ 8,595,205	\$ 8,595,205	\$ 8,528,471	\$ (66,734)
5800	State Program Revenues	157,588	157,588	168,016	10,428
5020	Total Revenues	<u>8,752,793</u>	<u>8,752,793</u>	<u>8,696,487</u>	<u>(56,306)</u>
EXPENDITURES					
Debt Service:					
0071	Principal on Long Term Debt	1,905,000	1,905,000	1,905,000	-
0072	Interest on Long Term Debt	6,615,748	6,615,748	6,492,997	122,751
0073	Bond Issuance Cost and Fees	5,000	5,000	4,094	906
6030	Total Expenditures	<u>8,525,748</u>	<u>8,525,748</u>	<u>8,402,091</u>	<u>123,657</u>
1200	Net Change in Fund Balances	227,045	227,045	294,396	67,351
0100	Fund Balance-September 1 (Beginning)	3,157,957	3,157,957	3,157,957	-
3000	Fund Balance-August 31 (Ending)	<u>\$ 3,385,002</u>	<u>\$ 3,385,002</u>	<u>\$ 3,452,353</u>	<u>\$ 67,351</u>

THIS PAGE LEFT BLANK INTENTIONALLY

LIBERTY HILL INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF REQUIRED RESPONSES TO SELECTED SCHOOL FIRST INDICATORS
 FOR THE YEAR ENDED AUGUST 31, 2017

Data Control Codes		1 Responses
SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning nonpayment of any terms of any debt agreement at fiscal year end?	No
SF4	Was there an unmodified opinion in the Annual Financial Report on the financial statements as a whole?	Yes
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls over financial reporting and compliance for local, state, or federal funds?	No
SF6	Was there any disclosure in the Annual Financial Report of material noncompliance for grants, contracts, and laws related to local, state, or federal funds?	No
SF7	Did the school district make timely payments to the Teachers Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other government agencies as applicable?	Yes
SF8	Did the school district not receive an adjusted repayment schedule for more than one fiscal year for an over allocation of Foundation School Program (FSP) funds as a result of a financial hardship?	Yes
SF10	Total accumulated accretion on capital appreciation bonds included in the government-wide financial statements at fiscal year-end.	\$ 5,847,141
SF11	Net Pension Assets (1920) at fiscal year-end	\$ -
SF12	Net Pension Liabilities (2540) at fiscal year-end	\$ 5,828,054
SF13	Pension Expense (6147) at fiscal year-end	\$ -

THIS PAGE LEFT BLANK INTENTIONALLY

FEDERAL AWARDS SECTION

THIS PAGE LEFT BLANK INTENTIONALLY



INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

To the Board of Trustees of
Liberty Hill Independent School District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Liberty Hill Independent School District, as of and for the year ended August 31, 2017, and the related notes to the financial statements, which collectively comprise Liberty Hill Independent School District's basic financial statements, and have issued our report thereon dated December 1, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Liberty Hill Independent School District's internal control over financial reporting ("internal control") to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Liberty Hill Independent School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Liberty Hill Independent School District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

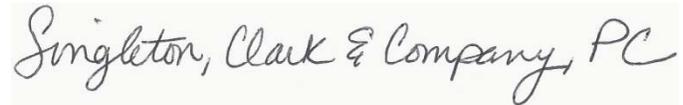
Compliance and Other Matters

As part of obtaining reasonable assurance about whether Liberty Hill Independent School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

THIS PAGE LEFT BLANK INTENTIONALLY

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Singleton, Clark & Company, PC". The signature is written in a cursive, flowing style and is set against a light beige rectangular background.

Singleton, Clark & Company, PC
Cedar Park, Texas

December 1, 2017

THIS PAGE LEFT BLANK INTENTIONALLY



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND INTERNAL CONTROL
FOR EACH MAJOR PROGRAM AS REQUIRED BY UNIFORM GUIDANCE AND
REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

To the Board of Trustees of
Liberty Hill Independent School District

Report on Compliance for Each Major Federal Program

We have audited Liberty Hill Independent School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Liberty Hill Independent School District's major federal programs for the year ended August 31, 2017. Liberty Hill Independent School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Liberty Hill Independent School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Liberty Hill Independent School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Liberty Hill Independent School District's compliance.

Opinion on Each Major Federal Program

In our opinion, Liberty Hill Independent School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2017.

Report on Internal Control over Compliance

Management of Liberty Hill Independent School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Liberty Hill Independent School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Liberty Hill Independent School District's internal control over compliance.

THIS PAGE LEFT BLANK INTENTIONALLY

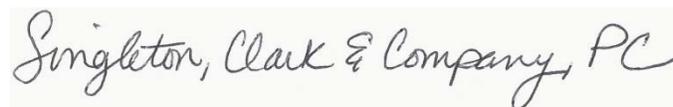
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by *Uniform Guidance*

We have audited the financial statements of Liberty Hill Independent School District as of and for the year ended August 31, 2017, and have issued our report thereon dated December 1, 2017, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.



Singleton, Clark & Company, PC
Cedar Park, Texas

December 1, 2017

THIS PAGE LEFT BLANK INTENTIONALLY

LIBERTY HILL INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2017

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM OR CLUSTER TITLE	1 Federal CFDA Number	2a Pass-Through Entity Identifying Number	3 Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
<u>Passed Through Texas Education Agency</u>			
ESEA-Title X, Part C	84.196	17-4600017110001	\$ 2,357
ESEA-Title I, Part A	84.010A	17610101246908	146,990
IDEA-Part B, Formula*	84.027A	176600012469086600	524,271
IDEA-Part B, Preschool*	84.173A	176610012469086610	4,246
IDEA-Part B, Discretionary*	84.027A	176600062469086680	62,701
Title II, Part A, Improving Teacher Quality	84.367A	17694501246908	33,961
Title III, Part A, Language	84.365A	17671001246908	1,006
Total Passed Through Texas Education Agency			775,532
TOTAL U.S. DEPARTMENT OF EDUCATION			775,532
U.S. DEPARTMENT OF AGRICULTURE			
<u>Passed Through Texas Education Agency</u>			
School Breakfast Program*	10.553	71401701	131,501
National School Lunch Program - Cash Assistance*	10.555	71301701	423,448
Total Passed Through Texas Education Agency			554,949
<u>Passed Through the Texas Department of Agriculture</u>			
Non-Cash Assistance - Food Distribution Program*	10.555	17-246908	95,203
Total Passed Through Texas Department of Agriculture			95,203
TOTAL DEPARTMENT OF AGRICULTURE			650,152
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 1,425,684
School Health and Related Services (SHARS) Revenue - <i>Not considered Federal Financial Assistance</i>			\$ 390,630
TOTAL FEDERAL REVENUE PER THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE			\$ 1,816,314

* Clustered programs as defined in OMB Compliance Supplement 2017

THIS PAGE LEFT BLANK INTENTIONALLY

LIBERTY HILL INDEPENDENT SCHOOL DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2017

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the “Schedule”) includes the federal awards expenditures of Liberty Hill Independent School District (the “District”) under programs of the federal government for the year ended August 31, 2017. The information in the accompanying Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, change in net position, or cash flows of the District.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting - The expenditures on the accompanying schedule of expenditures of federal awards are presented using the modified accrual basis of accounting, with the exception of the National School Lunch Program, School Breakfast Program and the Food Distribution Program. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become measurable and available, and expenditures in the accounting period in which the fund liability is incurred, if measurable. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited to reimbursement.

Expenditures for the National School Lunch Program, School Breakfast Program and the Food Distribution Program are shown on the accompanying schedule of expenditures of federal awards in an amount equal to the related revenue, but are not specifically attributable to this revenue source. Expenditures are reported in this manner due to the Child Nutrition Fund being a fund that combines local, state, and federal revenues, and spends those resources together to support the overall operations of the Child Nutrition Program.

Relationship to Basic Financial Statements - Expenditures of federal awards are reported in the District’s basic financial statements in the special revenue funds.

Relationship to Federal Financial Reports - Amounts reported in the accompanying schedule of expenditures of federal awards agree with the amounts reported in the related federal financial reports in all significant respects.

THIS PAGE LEFT BLANK INTENTIONALLY

LIBERTY HILL INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE YEAR ENDED AUGUST 31, 2017

SECTION I – SUMMARY OF AUDITOR’S RESULTS

FINANCIAL STATEMENTS

Type of auditor’s report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? Yes No
- Significant deficiencies identified that are not considered to be material weaknesses? Yes None reported

Noncompliance material to financial statements noted? Yes No

FEDERAL AWARDS

Internal control over major programs:

- Material weakness(es) identified? Yes No
- Significant deficiencies identified that are not considered to be material weaknesses? Yes None reported

Type of auditor’s report issued on compliance for major programs:

IDEA- Part B, Special Education Cluster	Unmodified
---	------------

Any audit findings disclosed that are required to be reported in accordance with the federal Uniform Guidance? Yes No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
84.027A; 84.173A	IDEA- Part B, Special Education Cluster

Dollar threshold used to distinguish Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee? Yes No

THIS PAGE LEFT BLANK INTENTIONALLY

LIBERTY HILL INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)
FOR THE YEAR ENDED AUGUST 31, 2017

SECTION II – FINANCIAL STATEMENT FINDINGS

Findings Related to Financial Statements Which are Required to be Reported in Accordance with Government Auditing Standards:

No findings or questioned costs required to be reported in accordance with *Government Auditing Standards* for the year ended August 31, 2017.

Prior year financial statement findings as required to be restated with current status:

2016-001	Budgetary Compliance
Criteria:	Each year the District’s Board of Trustees adopts an appropriations budget which limits expenditure amounts within specific line items that can be made by management.
Condition Found:	As of year end, actual expenditure in Function 35 in the Child Nutrition Fund exceeded the amended budgeted amount by \$16,217.
Cause:	The District did not make budget amendments necessary in the Child Nutrition Fund for Function 35.
Effect:	The effect is a technical noncompliance with the legally adopted appropriations budget.
Recommendation:	We recommend that the District closely monitor expenditure line items and amend the budget as required.
Current Status:	Condition not repeated in the current year.
Contact Person:	Jennifer Hanna, Chief Financial Officer

SECTION III – FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

Findings Related to Federal Awards Which are Required to be Reported in Accordance with federal Uniform Guidance:

No findings or questioned costs required to be reported in accordance with federal Uniform Guidance for the years ended August 31, 2017 and 2016.